

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2021 AND 2020



CROCE, SANGUINETTI, & VANDER VEEN

INC.

CERTIFIED PUBLIC ACCOUNTANTS

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CROCE, SANGUINETTI, & VANDER VEEN^{INC.}

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Commissioners
Lodi Winegrape Commission
Crush District #11, Local Commission
Lodi, California

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of **Lodi Winegrape Commission Crush District #11, Local Commission** (the Commission), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of **Lodi Winegrape Commission Crush District #11, Local Commission** as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants
Stockton, California
October 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis

June 30, 2021 and 2020

Our discussion and analysis of the Lodi Winegrape Commission Crush District #11, Local Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the financial statements, which begin on page 13.

Financial Highlights

- Total assets of the Commission were \$1,494,997 with capital assets at \$74,456, net of accumulated depreciation. Current assets for the year ended June 30, 2021 and 2020 were \$1,420,541 and \$1,308,244, respectively.
- Total liabilities were \$267,246, of which all were considered current obligations.
- Assets of the Commission exceeded liabilities at the close of the most recent fiscal year by \$1,227,751 (net position). Of this amount, \$188,244 (unrestricted) may be used to meet the Commission's ongoing obligations and \$74,456 is net investment in capital assets.
- The Commission's net position decreased by \$74,157 from \$1,301,908 in FY 2020 to \$1,227,751 in FY 2021.
- Total operating revenues for the FY 2021 were \$1,872,885, which is a decrease of 20% from the prior year. This change primarily reflects decreases in revenues from assessments charged to wine grape producers and reduction in event income due to COVID-19 restrictions on events.
- Total operating expenses for the FY 2021 were \$1,948,218. This figure is 14% less than the prior year, due primarily to decreases in marketing and promotion costs, and event expenses.
- Operating loss was \$(75,333), a decrease of \$152,637 from the prior year's income of \$77,304.
- Total non-operating revenues increased by \$1,219, due to an increase in gain on asset disposals.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission is a corporate body (political subdivision) organized under the provisions of Division 22, Chapter 12.7, based upon favorable results of the referendum conducted during 1991 and every five years thereafter. The Commission is required to conduct the next referendum among the producers during 2021. The Commission follows proprietary fund reporting.

Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's basic financial statements are comprised of three components: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Fund Net Position; and 3) Statement of Cash Flows.

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

The *Statement of Net Position* presents the current and long-term portions of assets and liabilities separately and may provide a useful indicator of whether the financial position of the Commission is improving or deteriorating over time. This statement includes all of the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing profitability and credit worthiness as well as how the Commission's net position changed during the most recent fiscal year. This statement shows revenues and expenses from operations, non-operating revenues and expenses, and reconciles the change from one fiscal year to the next. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through assessments, revenues from the California Wine Education Foundation, event income, contributions and other sources of operating revenues.

The *Statement of Cash Flows* is prepared using the direct method and is concerned solely with input and outlay of cash from operating activities, noncapital financing activities, capital and related financing activities and investing activities. This statement also includes a reconciliation of operating profit (loss) to cash from operating activities. The primary purpose of this statement is to provide information about the Commission's cash receipts and cash payments during the reporting period.

Notes to the Basic Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. As shown in Figure 1, the Commission's assets exceeded liabilities by \$1,227,751 on June 30, 2021, a decrease of \$74,157 or 6% less than the Commission's net position at June 30, 2020.

Figure 1.

	Net Position		Change	%
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>2020 to 2021</u>	
Current and other assets	\$ 1,420,541	\$ 1,308,244	\$ 112,297	9
Capital assets	<u>74,456</u>	<u>85,085</u>	<u>(10,629)</u>	(12)
Total assets	<u>1,494,997</u>	<u>1,393,329</u>	<u>101,668</u>	7
Current liabilities	<u>267,246</u>	<u>91,421</u>	<u>175,825</u>	192
Total liabilities	<u>267,246</u>	<u>91,421</u>	<u>175,825</u>	192
Net investment in capital assets	74,456	85,085	(10,629)	(12)
Unrestricted - undesignated	188,244	315,338	(127,094)	(40)
Unrestricted - assigned to primary reserves	413,818	413,231	587	-
Unrestricted - assigned to special projects	61,478	61,391	87	-
Unrestricted - designated Lodi Wine Country	<u>489,755</u>	<u>426,863</u>	<u>62,892</u>	15
Total net position, end of period	<u>\$ 1,227,751</u>	<u>\$ 1,301,908</u>	<u>\$ (74,157)</u>	(6)

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

Change in Net Position

As shown in Figure 2, the Commission's operating and nonoperating activities decreased net position by \$74,157 as compared to a \$77,261 increase in net position in the prior year. The Commission's decrease in net position is due to the combined changes of the following major components:

- The Commission's FY 2021 operating loss of \$75,333 (that portion of the Commission's operating expenses in excess of its operating revenues) represents a decrease of \$152,637 from FY 2020's operating income of \$77,304.
- Nonoperating revenue, net increased \$1,219 from \$(43) in FY 2020 to \$1,176 in FY 2021.
- In June of 2013 the Board of Commissioners voted to develop a Primary Reserve Account and a Special Projects Account separate from the day-to-day Operating Account. The Primary Reserve acts as an emergency or "rainy day" fund, while the Special Projects allows for income above projections to be allocated to special projects or items that may not have been apparent during the budgeting process. Both of these funds require Board approval for allocation and expenditure of funds. There were no increases to the Primary Reserves fund or the Special Projects fund approved during the FY 2021. In FY 2021, the only activity in the Primary Reserve and the Special Project accounts were increases applicable to interest income.

Figure 2.

Changes in Fund Net Position				
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change 2020 to 2021</u>	<u>%</u>
Operating revenues	\$ 1,872,885	\$ 2,343,735	\$ (470,850)	(20)
Operating expenses	<u>1,948,218</u>	<u>2,266,431</u>	<u>318,213</u>	14
Operating (loss) profit	<u>(75,333)</u>	<u>77,304</u>	<u>(152,637)</u>	(197)
Nonoperating revenues				
Interest income	697	187	510	273
Loss on asset disposals	540	-	540	100
Interest expense	<u>(61)</u>	<u>(230)</u>	<u>169</u>	73
Total nonoperating revenues (expenses)	<u>1,176</u>	<u>(43)</u>	<u>1,219</u>	2,835
Change in net position	(74,157)	77,261	(151,418)	(196)
Total net position, beginning of year	<u>1,301,908</u>	<u>1,224,647</u>	<u>77,261</u>	6
Total net position, end of year	<u>\$ 1,227,751</u>	<u>\$ 1,301,908</u>	<u>\$ (74,157)</u>	(6)

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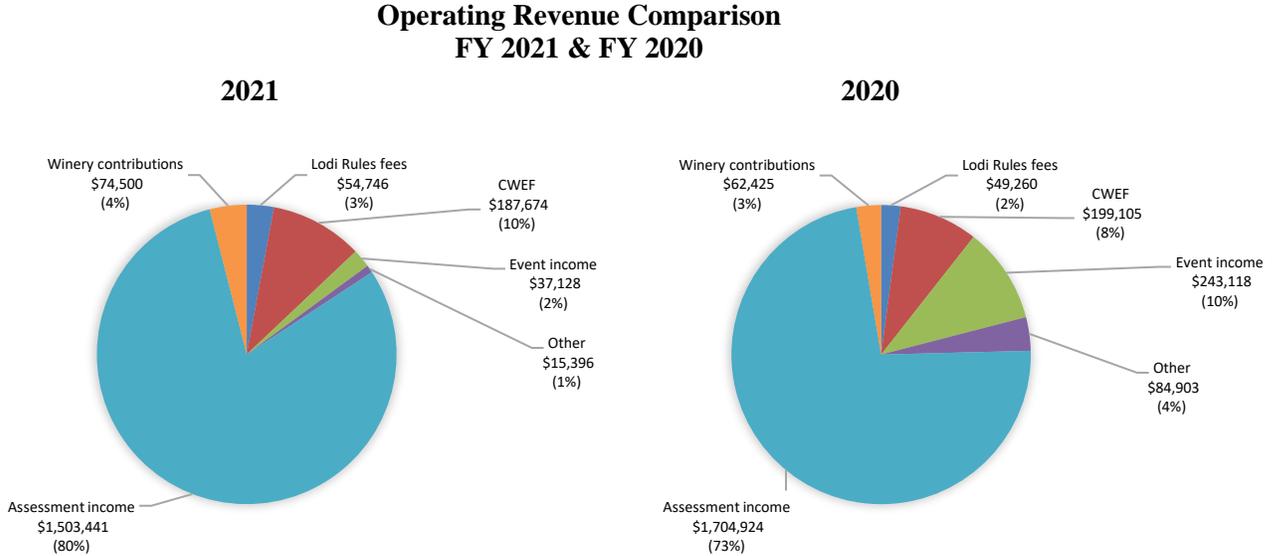
**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

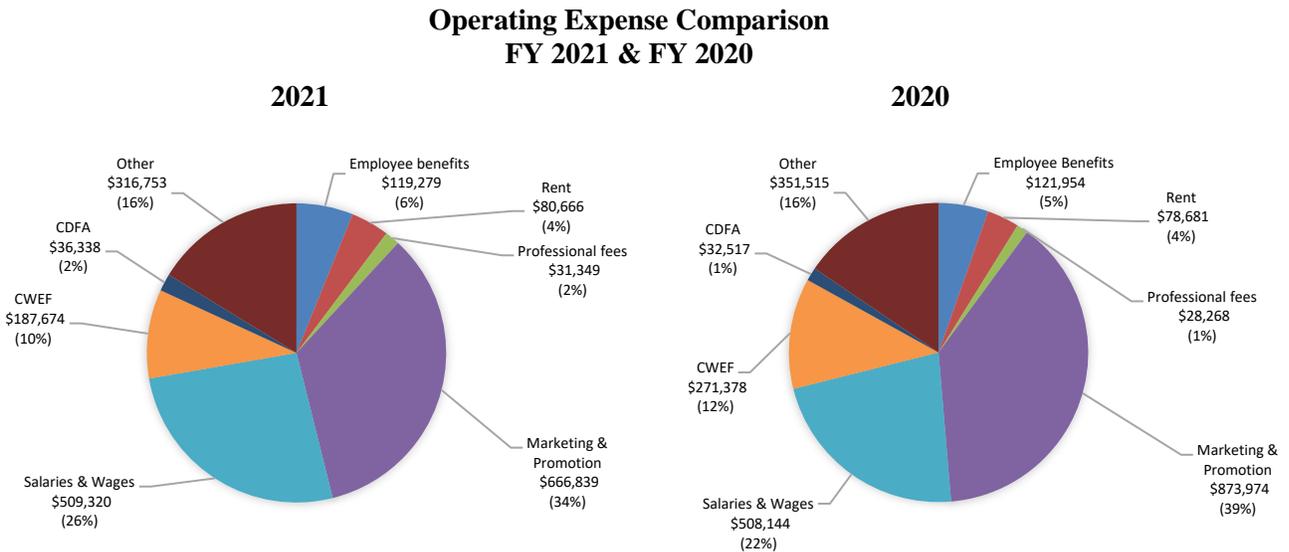
Operating Revenues. Operating revenues decreased 20% or \$470,850, due to a decrease in assessment income from wine grape producers resulting from decreased crop yields and a decrease in event income.

Figure 3.



Operating Expenses. Operating expenses decreased 14% or \$318,213 due primarily to decreases in wages and marketing and promotion expenses and travel expenses.

Figure 4.



(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

Nonoperating Revenues (Expenses). Total nonoperating revenues (expenses) for FY 2021 increased \$1,219 over FY 2020. This was due to an increase in gain on disposal of assets. During FY 2021, nonoperating revenues (expenses) consisted of interest income, interest expense, and gain on asset disposal.

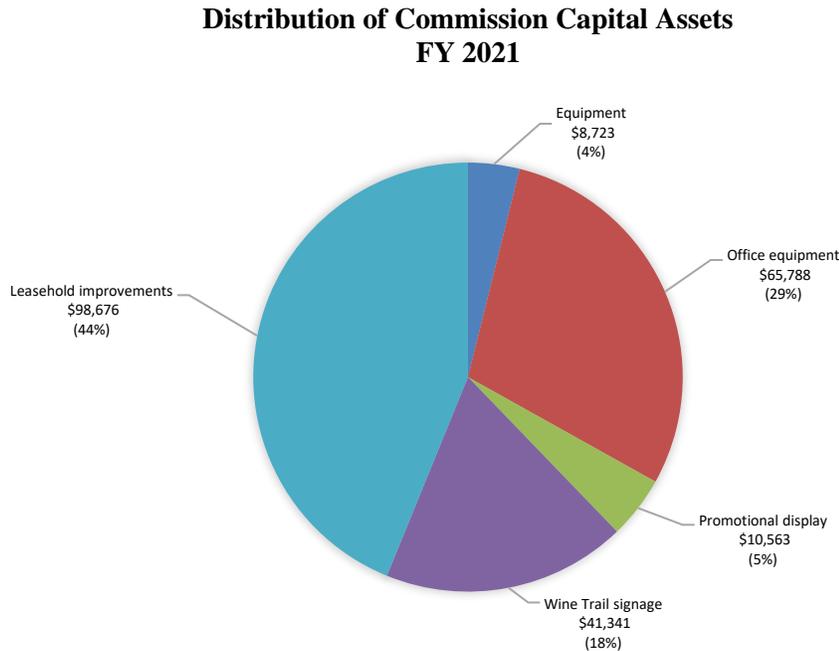
Capital Asset and Debt Administration

Capital Assets Activity

The Commission's net investment, after depreciation, in capital assets as of June 30, 2021 amounted to \$74,456. The Commission's capital assets include all office equipment, equipment, promotional display, vehicles, wine trail signage, and leasehold improvements owned by the Commission. The total decrease in the Commission's investment in capital assets for the current fiscal year was 12% or \$10,629.

Figure 5 shows the Commission's largest capital asset categories and their portion (%) of the Commission's total asset value in FY 2021.

Figure 5.



Additional information on the Commission's capital assets can be found in Note C.

Long-term Debt

During fiscal year 2021, the Commission received loan proceeds in the amount of \$168,116 under the Paycheck Protection Program. Additional information about long-term debt can be found in Note I of this report.

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

The Lodi Winegrape Commission was established 30 years ago to serve the interests of the winegrape growers in California Crush District 11. In 2019, the Lodi Winegrape Commission undertook a strategic planning process and established the following mission statement and five strategic priorities. This past year the Commission has executed on many of the key initiatives listed below. The Board of Directors, committee members and staff have all been working collaboratively to execute on Commission programs and serve Lodi growers best interests.

COVID-related shutdowns and curtailments of business activities have affected the Commission's operations, but the staff and board have made adjustments to activities to continue meeting our objectives. A light crop and an inability to host events during the pandemic did affect Commission revenues, but those losses were offset by similar decreases in expenses. Many education, marketing, and outreach activities were shifted to virtual experiences allowing the Commission to continue delivering its message to growers, industry, trade and consumers.

As the pandemic fades, the Lodi winegrowing community is in a stronger position. The grape market has come into better balance and demand has risen for Lodi-grown grapes. The Commission will continue to pursue the strategic priorities listed below striving to enhance the profitability of all Lodi winegrowers.

Mission

To empower all Lodi Crush District 11 winegrowers and serve their common interests to enhance the profitability of production through promotion, research, and education.

Strategic Priority #1 - The Lodi Brand and Story

Establish brand clarity integrating the heart and soul of Lodi to increase awareness. Tell the Lodi story while collaborating with our partners.

Objectives

- Accelerate broad market awareness
- Increase value and demand of Lodi winegrapes among grape buyers
- Increase demand of Lodi wines among wine buyers and invest in new markets
- Elevate the image and perception of Lodi grown wines.
- Support wineries who invest in putting the Lodi AVA on the front label

Initiatives

- Engage in a branding process to reinvigorate the Lodi brand
- Develop the Lodi story and key messages - Integrate LODI RULES talking points into the story narrative
- Identify and train spokespersons
- Focus audience outreach for greatest impact - Increase sampling of Lodi grown wines among core influencers to showcase quality
- Create a five-year marketing plan
 1. Broad market awareness
 2. Destination marketing
- Integrate the brand across all marketing channels and into all initiatives

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**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

Strategic Priority #2 - Business Success

Establish programs to increase demand, work with winegrowers and wineries to increase sales of Lodi winegrapes and wine.

Objectives

Winegrape Growers:

- Influence winegrape buyers with Lodi regional brand message
- Grow LODI RULES and its impact

Wineries:

- Expand wine sales and establish new sales channels
- Use the LODI RULES in the brand narrative
- Strengthen tourism marketing via collaboration to grow DTC sales

Initiatives

Winegrape Growers:

- Develop a database and an approach to connect with top winegrape buyers and marketers
- Evaluate industry tradeshows and determine ways to enhance involvement with meaningful outreach
- Integrate LODI RULES talking points into the story narrative
- Evaluate and determine networking events among winegrape growers

Wineries:

- Evaluate national and regional events and prioritize to position Lodi wines among buyers
- Engage in key export opportunities aligned with CA Wine Institute Programs

Strategic Priority #3 - Education and Innovation

Support and create educational programs to grow stakeholders' profitability.

Objectives

- Engage the next generation of leaders
- Add to the narrative and engagement of LODI RULES from their viewpoint

Winegrape Growers:

- Evaluate education programming and encourage constituent involvement
- Prioritize mechanization, premiumization, and vineyard profitability
- Connect research needs of winegrowers with leading experts to drive innovation

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

Wineries:

- Improve customer experience for guests visiting Lodi Wine Country
- Improve business professionalism and Capabilities

Initiatives

- Develop a Lodi specific leadership program to engage the next generation of leaders to invest in their community and organization

Winegrape Growers:

- Evaluate current education programs and create tools and opportunities with the greatest impact to winegrower constituents
- Invest in outreach that supports vineyard efficiency, premiumization, and profitable winegrowing
- Network with research community and key innovators
- Communicate key learnings to growers and key influencers for maximum benefit

Wineries:

- Invest in hospitality training
- Develop educational programs that improve winery skills, quality, and capabilities

Strategic Priority #4 - Lodi Winegrape Commission

Communicate our value among winegrape producers and stakeholders. Showcase results and optimize the organizational capacity.

Objectives

- Build pride among the constituents and celebrate the organization's successes through consistent communication
- Encourage Board of Directors to engage with constituent communication
- Support committees to take an active role in constituent engagement
- Demonstrate a history of smart investment by the organization and its overall financials health to align resources

Initiatives

- Create new ways to bring stakeholders together (ie., annual meeting, round table discussion, involvement in programming, etc.) to engage in two-way communication
- Demonstrate transparency of the inner workings of the commission (ie., financial health, program initiatives, annual plan, etc.)
- Measure success and celebrate accomplishments with consistent and regular communication
- Create tools (ie., hats) to demonstrate member appreciation and sense of ownership

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**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Management's Discussion and Analysis (Continued)

June 30, 2021 and 2020

Strategic Priority #5 - Our Lodi Community

Enhance the guest experience working with community partners. Strengthen the Lodi story emphasizing the industry's commitment, economic strength, and community support.

Objectives

- Collaborate with community partners (ie., Visit Lodi, Chamber, City, County) to align strategic initiatives
- Support development of tourism infrastructure - signage, restaurants, hotels, etc.
- Bring forth key messages and integrate into the narrative to align the commitment and success of the wine community with the Lodi community
- Update quantifiable data to measure the wine community's economic impact

Initiatives

- Align marketing initiatives to reduce duplication of efforts and maximize brand awareness
- Integrate economic data into public relations platform and communicate with elected officials, community groups, media, etc.
- Tell the philanthropic story of the wine community
- Tell the story of the wine community's leadership with emphasis on the land, the community and the people

Requests for Information

The financial report is designed to provide the reader with a general overview of the Commission's finances. Questions concerning any of the information provided herein or requests for additional information should be addressed to the Executive Director, Lodi Winegrape Commission Crush District #11, Local Commission, 2545 W. Turner Road, Lodi, California 95242.

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	<u>2021</u>	<u>2020</u>	<u>Change from 2020 to 2021</u>
Current assets			
Cash and cash equivalents	\$ 1,345,625	\$ 1,254,151	\$ 91,474
Accounts receivable	14,373	2,856	11,517
Grants receivable	58,319	50,870	7,449
Prepaid expenses	2,024	167	1,857
Deposits	<u>200</u>	<u>200</u>	<u>-</u>
Total current assets	<u>1,420,541</u>	<u>1,308,244</u>	<u>112,297</u>
Capital assets			
Equipment	8,723	8,723	-
Leasehold improvements	98,676	98,676	-
Office equipment	65,788	65,788	-
Promotional display	10,563	10,563	-
Vehicles	-	23,033	(23,033)
Wine trail signage	<u>41,341</u>	<u>41,341</u>	<u>-</u>
	225,091	248,124	(23,033)
Less accumulated depreciation	<u>(150,635)</u>	<u>(163,039)</u>	<u>12,404</u>
Total capital assets	<u>74,456</u>	<u>85,085</u>	<u>(10,629)</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,494,997</u>	<u>\$ 1,393,329</u>	<u>\$ 101,668</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities			
Accounts payable	\$ 51,195	\$ 48,574	\$ 2,621
Accrued expenses	47,935	42,847	5,088
Current maturities of long-term debt	<u>168,116</u>	<u>-</u>	<u>168,116</u>
Total current liabilities	<u>267,246</u>	<u>91,421</u>	<u>175,825</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Net investment in capital assets	74,456	85,085	(10,629)
Unrestricted - undesignated	188,244	315,338	(127,094)
Unrestricted - assigned to primary reserves	413,818	413,231	587
Unrestricted - assigned to special projects	61,478	61,391	87
Unrestricted - designated Lodi Wine Country	<u>489,755</u>	<u>426,863</u>	<u>62,892</u>
Total net position	<u>1,227,751</u>	<u>1,301,908</u>	<u>(74,157)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,494,997</u>	<u>\$ 1,393,329</u>	<u>\$ 101,668</u>

The accompanying notes are an integral part of these financial statements.

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Statements of Revenues, Expenses and
Changes in Fund Net Position**

For the years ended June 30,

	<u>2021</u>	<u>2020</u>	<u>Change from 2020 to 2021</u>
Operating revenues			
Assessment income	\$ 1,503,441	\$ 1,704,924	\$ (201,483)
Winery contributions	74,500	62,425	12,075
Lodi Rules fees	54,746	49,260	5,486
Event income	37,128	243,118	(205,990)
Grant income	13,689	75,277	(61,588)
Other	<u>1,707</u>	<u>9,626</u>	<u>(7,919)</u>
	<u>1,685,211</u>	<u>2,144,630</u>	<u>(459,419)</u>
California Wine Education Foundation			
Management service fees	139,627	152,000	(12,373)
Rent	<u>48,047</u>	<u>47,105</u>	<u>942</u>
	<u>187,674</u>	<u>199,105</u>	<u>(11,431)</u>
Total operating revenues	<u>1,872,885</u>	<u>2,343,735</u>	<u>(470,850)</u>
Operating expenses			
Marketing and promotion			
General	591,839	739,974	(148,135)
California Wine Education Foundation	75,000	134,000	(59,000)
Salaries and wages	509,320	508,144	1,176
Employee benefits	119,279	121,954	(2,675)
Consulting	114,250	23,365	90,885
Rent	80,666	78,681	1,985
Equipment maintenance and rental	49,482	40,294	9,188
Office expense	42,181	37,716	4,465
California Department of Food and Agriculture	36,338	32,517	3,821
Professional fees	31,349	28,268	3,081
Dues and subscriptions	21,596	33,795	(12,199)
Contributions	20,036	25,750	(5,714)
Grower meetings	18,947	20,734	(1,787)
Research	15,236	115,575	(100,339)
Depreciation	10,629	10,142	487
Insurance	9,375	15,809	(6,434)
Newsletters	9,019	5,899	3,120
Telephone	3,386	3,058	328
Personal property tax	1,074	611	463

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

**Statements of Revenues, Expenses and
Changes in Fund Net Position (Continued)**

For the years ended June 30,

	<u>2021</u>	<u>2020</u>	<u>Change from 2020 to 2021</u>
Operating expenses (Continued)			
Travel and entertainment	784	13,214	(12,430)
Other	401	3,479	(3,078)
Staff education	295	115	180
Bank charges	62	599	(537)
Special events	-	1,360	(1,360)
	<u>1,760,544</u>	<u>1,995,053</u>	<u>(234,509)</u>
California Wine Education Foundation			
Allocated operating expenses			
Salaries and wages	112,032	184,502	(72,470)
Employee benefits	27,595	39,771	(12,176)
Rent	48,047	47,105	942
	<u>187,674</u>	<u>271,378</u>	<u>(83,704)</u>
Total operating expenses	<u>1,948,218</u>	<u>2,266,431</u>	<u>(318,213)</u>
Operating (loss) income	<u>(75,333)</u>	<u>77,304</u>	<u>(152,637)</u>
Nonoperating revenues (expenses)			
Interest income	697	187	510
Gain on asset disposals	540	-	540
Interest expense	(61)	(230)	169
	<u>1,176</u>	<u>(43)</u>	<u>1,219</u>
Total nonoperating revenues (expenses)	<u>1,176</u>	<u>(43)</u>	<u>1,219</u>
Change in net position	(74,157)	77,261	(151,418)
Net position, beginning of year	<u>1,301,908</u>	<u>1,224,647</u>	<u>77,261</u>
Net position, end of year	<u>\$ 1,227,751</u>	<u>\$ 1,301,908</u>	<u>\$ (74,157)</u>

The accompanying notes are an integral part of these financial statements.

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Statements of Cash Flows

Years ended June 30,

	<u>2021</u>	<u>2020</u>	<u>Change from 2020 to 2021</u>
Cash flows from operating activities			
Cash received from growers	\$ 1,503,441	\$ 1,704,924	\$ (201,483)
Cash received from other operating sources	350,478	654,590	(304,112)
Cash paid to suppliers/contributions	(1,422,620)	(1,813,059)	390,439
Cash paid to employees	<u>(509,117)</u>	<u>(507,080)</u>	<u>(2,037)</u>
Net cash (used in) provided by operating activities	<u>(77,818)</u>	<u>39,375</u>	<u>(117,193)</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	-	(3,518)	3,518
Interest expense	(61)	(230)	169
Proceeds from sale of capital assets	540	-	540
Borrowings on long-term debt	<u>168,116</u>	<u>-</u>	<u>168,116</u>
Net cash provided by (used in) capital and related financing activities	<u>168,595</u>	<u>(3,748)</u>	<u>172,343</u>
Cash flows from investing activities			
Interest received	<u>697</u>	<u>187</u>	<u>510</u>
Net cash provided by investing activities	<u>697</u>	<u>187</u>	<u>510</u>
Net increase in cash and cash equivalents	91,474	35,814	55,660
Cash and cash equivalents, beginning of year	<u>1,254,151</u>	<u>1,218,337</u>	<u>35,814</u>
Cash and cash equivalents, end of year	<u>\$ 1,345,625</u>	<u>\$ 1,254,151</u>	<u>\$ 91,474</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities			
Operating (loss) income	\$ (75,333)	\$ 77,304	\$ (152,637)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities			
Depreciation	10,629	10,142	487
Decrease (increase) in operating assets:			
Accounts receivable	(11,517)	15,146	(26,663)
Grants receivable	(7,449)	633	(8,082)
Prepaid expenses	(1,857)	229	(2,086)
Deposits	-	9,200	(9,200)
Increase (decrease) in operating liabilities:			
Accounts payable	2,621	(80,756)	83,377
Accrued expenses	<u>5,088</u>	<u>7,477</u>	<u>(2,389)</u>
Net cash (used in) provided by operating activities	<u>\$ (77,818)</u>	<u>\$ 39,375</u>	<u>\$ (117,193)</u>

The accompanying notes are an integral part of these financial statements.

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Notes to Financial Statements

June 30, 2021 and 2020

Note A - Summary of Accounting Policies

This summary of significant accounting policies of Lodi Winegrape Commission Crush District #11, Local Commission (the Commission) is presented to assist in understanding the Commission's financial statements.

Description of reporting entity

The Commission is a corporate body (political subdivision) organized under the provisions of Division 22, Chapter 12.7, beginning with Section 74801 of the Food and Agricultural Code of California, based upon favorable results of the referendum conducted during 1991 and every five years thereafter. During 2026, the Commission is required to conduct the next referendum among the producers to determine whether the Commission's operations will continue in effect for an additional five-year period. The Commission is authorized to carry on programs of promotion, research, education, and integrated pest management relating to wine grape production and to levy an assessment not to exceed one percent of the gross dollar value of wine grapes marketed by producers to vintners.

Commission management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The Commission concluded that there are no potential component units which should be included in the reporting entity.

Basis of accounting

The financial statements have been prepared on the economic resources measurement focus and the accrual basis of accounting. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Commission's proprietary funds follow all GASB pronouncements currently in effect, as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict with GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Commission's operations include all revenues and expenses derived from promotion, research, education, and integrated pest management relating to winegrape production. Operating expenses also include administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues.

Fund accounting

The Commission utilizes proprietary funds to account for its activities, which are similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Notes to Financial Statements

June 30, 2021 and 2020

Note A - Summary of Accounting Policies (Continued)

Budgetary accounting

The Commission adopts a non-appropriated budget annually which is approved by the Board of Commissioners.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts receivable

Accounts receivable are considered by the Commission to be fully collectible.

Capital assets

The cost of additions to capital assets is capitalized. The Commission defines capital assets as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of two years. The cost and accumulated depreciation of property sold or retired is deducted from capital assets, and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statement of revenues, expenses and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Leasehold improvements	7-15 years
Office equipment	5-15 years
Equipment	7-10 years
Promotional display	7 years
Vehicles	5 years
Wine trail signage	7 years

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Net position

Equity in the financial statements is classified as net position and displayed in three components as follows:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets.

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Notes to Financial Statements

June 30, 2021 and 2020

Note A - Summary of Accounting Policies (Continued)

- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.
- c. Unrestricted - Amounts not required to be reported in other components of net position. Portions of unrestricted net position have been designated for Lodi Wine Country programs. The designated amounts may not result in actual expenditures. Portions of unrestricted net position have been assigned to future obligations of the Commission. The assigned amounts will result in actual expenditures.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Advertising costs

The Commission expenses advertising costs as incurred. For the years ended June 30, 2021 and 2020, advertising costs amounted to \$454,869 and \$401,764, respectively.

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

New accounting pronouncements

Standards adopted

In January 2020, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The District implemented the provisions of this Statement for the year ended June 30, 2021. The adoption of this Statement had no impact on the District's financial statements.

Standards not yet adopted

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Commission will be required to implement the provisions of this Statement for the year ended June 30, 2022. The Commission has not determined the effect on the financial statements.

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Notes to Financial Statements

June 30, 2021 and 2020

Note B - Cash and Cash Equivalents

The Commission maintains cash balances at one bank. Cash on deposit in excess of the federal insured limit of \$250,000 in a single financial institution may present a credit risk. The uninsured cash balances at June 30, 2021 and 2020 were \$1,099,269 and \$990,787, respectively.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Note C - Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020 were as follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2021</u>
Depreciated capital assets				
Equipment	\$ 8,723	\$ -	\$ -	\$ 8,723
Leasehold improvements	98,676	-	-	98,676
Office equipment	65,788	-	-	65,788
Promotional display	10,563	-	-	10,563
Vehicles	23,033	-	(23,033)	-
Wine trail signage	<u>41,341</u>	<u>-</u>	<u>-</u>	<u>41,341</u>
Total depreciated capital assets	248,124	-	(23,033)	225,091
Less accumulated depreciation	<u>(163,039)</u>	<u>(10,629)</u>	<u>23,033</u>	<u>(150,635)</u>
Total depreciated capital assets, net	<u>\$ 85,085</u>	<u>\$ (10,629)</u>	<u>\$ -</u>	<u>\$ 74,456</u>
	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2020</u>
Depreciated capital assets				
Equipment	\$ 8,723	\$ -	\$ -	\$ 8,723
Leasehold improvements	98,676	-	-	98,676
Office equipment	65,788	-	-	65,788
Promotional display	7,045	3,518	-	10,563
Vehicles	23,033	-	-	23,033
Wine trail signage	<u>41,341</u>	<u>-</u>	<u>-</u>	<u>41,341</u>
Total depreciated capital assets	244,606	3,518	-	248,124
Less accumulated depreciation	<u>(152,897)</u>	<u>(10,142)</u>	<u>-</u>	<u>(163,039)</u>
Total depreciated capital assets, net	<u>\$ 91,709</u>	<u>\$ (6,624)</u>	<u>\$ -</u>	<u>\$ 85,085</u>

Note D - Retirement

The commissioners approved the establishment of vested retirement benefits for the employees at 11.17% of gross salaries. For the years ended June 30, 2021 and 2020, the combined total retirement benefit of \$72,978 and \$80,959, respectively, was paid directly to a simplified employee plan-individual retirement account (SEP-IRA) for each employee and included in operating expenses.

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Notes to Financial Statements

June 30, 2021 and 2020

Note E - Commitments

The Commission leases office space and office equipment under lease agreements that expire on various dates through 2027.

Office Lease

The following schedule shows the composition of total rent expense for the office operating lease for the years ended June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Minimum rentals	\$ 128,713	\$ 125,785
Sublease rental (California Wine Education Foundation)	<u>(48,047)</u>	<u>(47,105)</u>
	<u>\$ 80,666</u>	<u>\$ 78,680</u>

The following is a schedule by years of future minimum rental payments required under the office operating lease that has an initial or remaining noncancelable lease term in excess of one year as of June 30, 2021.

<u>Year ending June 30,</u>	<u>Operating lease</u>
2022	\$ 125,661
2023	128,174
2024	130,738
2025	133,353
2026	<u>136,020</u>
Total minimum lease payments	<u>\$ 653,946</u>

Office Equipment

The following is a schedule by years of future minimum rental payments required under the office equipment operating leases that have an initial or remaining noncancelable lease term in excess of one year as of June 30, 2021.

<u>Year ending June 30,</u>	<u>Operating lease</u>
2022	\$ 7,404
2023	6,540
2024	6,540
2025	6,540
2026	6,540
Thereafter	<u>1,635</u>
Total minimum lease payments	<u>\$ 35,199</u>

The equipment rent expense for the years ended June 30, 2021 and 2020 was \$3,741 and \$9,199, respectively.

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Notes to Financial Statements

June 30, 2021 and 2020

Note F - Insurance

The Commission is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to insure for risks of loss, the Commission purchases insurance through commercial insurance carriers.

At June 30, 2021, the Commission was covered by the following types of insurance:

<u>Coverage</u>	<u>Limits of liability</u>
Commercial general liability, aggregate	\$ 2,000,000
Commercial property	1,000,000
Personal injury, aggregate	1,000,000
Directors and officers liability	1,000,000
Workers compensation	Statutory

Note G - Governing Board

The governing board of the Commission consists of the following at June 30, 2021:

Kendra Altnow, Chair	Phil Abba
Aaron Shinn, Vice Chair	Bruce Fry
Curt Gillespie, Secretary	Matt Lauchland
Brandon Sywassink, Treasurer	Tom Murphy
	Diego Olagaray

District #11 consists of San Joaquin County north of State Highway 4 and east and west to the county lines; and Sacramento County south of U.S. 50 and east of Interstate 5 to the eastern county line.

Note H - Related Party Transactions

The California Wine Education Foundation dba the Lodi Wine and Visitor Center (a non-profit Organization), and the Commission share some common goals and; therefore, share certain facility and operating resources. The following summarizes the related party balances and transactions as of and for the years ended June 30, 2021 and 2020:

	<u>Amount</u>	
	<u>2021</u>	<u>2020</u>
<u>Statement of net position</u>		
Accounts receivable	\$ 13,373	\$ 1,861
Accounts payable	243	184
<u>Statement of revenues, expenses and changes in fund net position</u>		
<u>Operating revenues</u>		
Management service fees	\$ 139,627	\$ 152,000
Rent	48,047	47,105

(Continued)

**LODI WINEGRAPE COMMISSION
CRUSH DISTRICT #11, LOCAL COMMISSION**

Notes to Financial Statements

June 30, 2021 and 2020

Note H - Related Party Transactions (Continued)

	Amount	
	2021	2020
<u>Statement of revenues, expenses and changes in fund net position</u>		
<u>Operating expenses</u>		
Marketing and promotion	75,000	134,000
Allocated operating expenses		
Salaries	112,032	184,502
Employee benefits	27,595	39,771
Rent	48,047	47,105

Note I - Paycheck Protection Program

In February 2021, the Commission received loan proceeds in the amount of \$168,116 under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES ACT). The loan is uncollateralized and is fully guaranteed by the Federal government. The loan is subject to a note dated February 16, 2021, with a maturity date of February 16, 2026 and the loan and accrued interest may be forgiven to the extent the proceeds are used for eligible expenditures as described in the CARES Act. Eligible expenditures include payroll costs, group health care benefit cost, mortgage payments, rent, utilities, and interest on other debt obligations. As of June 30, 2021, the Commission had used the entire loan proceeds for qualifying expenses, and therefore, expects the entire loan to be forgiven. The loan matures on February 16, 2026. Any unforgiven portion of the loan bears interest at a rate of 1% payable monthly, commencing on July 16, 2022. The loan may be repaid at any time prior to maturity with no prepayment penalty.

Note J - Contingencies

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged in jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the Commission is unknown.